

Message Text

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ACTION ACDA-10

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 ACDE-00 CIAE-00

INR-07 L-03 NSAE-00 NSC-05 EB-07 OES-03 FEAE-00

INRE-00 SSO-00 NSCE-00 USIE-00 DODE-00 PM-03 H-02

PA-01 PRS-01 SP-02 SS-15 AID-05 SAJ-01 OMB-01 TRSE-00

MC-02 COME-00 /097 W

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O R 041759Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 0529

INFO AMEMBASSY BRASILIA IMMEDIATE

AMCONSUL RIO DE JANEIRO IMMEDIATE

USMISSION EC BRUSSELS

USMISSION IAEA VIENNA

ERDA GERMANTOWN

NRC BETHESDA

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E.O. 11652: N/A

TAGS: TECH, ENRG, BR, GW

SUBJECT: GERMAN SALES OF NUCLEAR TECHNOLOGY TO BRAZIL

REF: A) BONN 8495; B) STATE 129371

1. SUMMARY: IN THE PAST FEW DAYS PRESS IN FRG HAS DEVOTED CONSIDERABLE ATTENTION TO PROPOSED FRG AGREEMENT ON SALE OF NUCLEAR TECHNOLOGY TO BRAZIL. PRESS ATTENTION DEALING WITH THE PROPOSED SALE BEGAN PREVIOUS WEEK WITH COVERAGE FRG-BRAZIL ECONOMIC DISCUSSIONS HELD IN BAD REICHENHALL (SEE REFTEL A). THERE FOLLOWED EXTENSIVE ARTICLE IN THE "FRANKFURTER ALLGEMEINE ZEITUNG" (FAZ) CONCERNING THE BACKGROUND TO THE FRG-BRAZILIAN DEAL. BUT MOST RECENTLY, A
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NUMBER ARTICLES HAVE APPEARED IN STRONG REACTION TO

SENATOR PASTORE'S CHARACTERIZATION OF THE FRG-BRAZILIAN
SALE AS A POSSIBLE PERIL. END SUMMARY

2. IN AN INTERVIEW IN THE "HANDELSBLATT" ON MAY 28, BRAZILIAN FINANCE MINISTER HENRIQUE SIMONSEN, WHO LED THE DISCUSSIONS ON THE BRAZILIAN SIDE AT BAD REICHENHALL, DOWNPLAYED THE HIGHLY OPTIMISTIC ASSERTIONS THAT HAD BEEN MADE BY FRG ECONOMICS MINISTER FRIDERICH'S AS TO THE RESULTS OF THEIR DISCUSSION RELATING TO NUCLEAR PROJECTS. SIMONSEN STATED THAT IT WAS PREMATURE TO ASSUME THAT BRAZIL WOULD BE A SOURCE OF SUPPLY OF URANIUM FOR THE FRG BECAUSE THE TOTAL EXTENT OF BRAZIL'S DEPOSITS WAS STILL UNCERTAIN. HOWEVER, HE SAID TECHNICAL ASSISTANCE WAS AN AREA OF PROPOSED COOPERATION, DEPENDING ON WHAT CONDITIONS THE ASSISTANCE WOULD BE GIVEN. IN ADDITION, SIMONSEN CONTRADICTED A SUBSEQUENT STATEMENT RELEASED BY THE FRG PRESS SERVICE (DPA) THAT THE AGREEMENT SHOULD HAVE SUCCESSFULLY PASSED THE HURDLE OF EURATOM APPROVAL AND BE READY FOR SIGNATURE DURING THE PLANNED VISIT OF THE BRAZILIAN FOREIGN MINISTER TO BONN, JUNE 26 AND 27. SIMONSEN STATED IN THE INTERVIEW THAT THE PLANNED PURCHASE OF GERMAN NUCLEAR POWER PLANTS IS BEING "FURTHER ANALYZED" AND THAT THE DECISION WILL BE FORTHCOMING WITHIN THE NEXT FEW MONTHS. "SUCH DECISIONS ARE NOT MADE OVERNIGHT, EVEN THOUGH BUSINESSMEN MAY WANT TO RUSH DEVELOPMENTS." LONG TERM FINANCING MUST BE ASSURED.

3. FAZ REPORTED THAT BECAUSE OF THE SIGNIFICANCE OF THE EXPORT OF FIRST TWO FRG NUCLEAR POWER STATIONS TO BRAZIL TO FRG ENERGY POLICY, THE KREDITANSTALT FUER WIEDERAUFBAU CONFIRMED THAT DM 1.25 BILLION OUT OF TOTAL COST OF DM 2.5 BILLION FOR THE TWO PLANTS WOULD BE FINANCED BY A LOAN AT 7.25 PERCENT INTEREST, WHICH IS BELOW THE NORMAL RATE (7.75 PERCENT) FOR KREDITANSTALT-FINANCED EXPORTS. THE DM 1.25 BILLION LOAN WILL BE DUE UPON DELIVERY OF THE POWER STATIONS. KRAFTWERK UNION (KWU) WILL LIMITED OFFICIAL USE

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FINANCE THE PROJECT DURING ITS CONSTRUCTION. THE OTHER 50 PERCENT OF THE LOAN WILL BE FINANCED UNDER NORMAL CAPITAL-MARKET CONDITIONS.

4. LATER FAZ ARTICLE BY MARTIN GESTER OF JUNE 3 DISCUSSED THE BACKGROUND OF THE BRAZILIAN CHOICE OF COOPERATION WITH FRG IN NUCLEAR TECHNOLOGY AS OPPOSED TO COOPERATION WITH THE UNITED STATES. THE

ARTICLE STATES THAT THE 626 MW NUCLEAR POWER STATION
AT ANGRA DOS REIS, SUPPLIED BY WESTINGHOUSE AND
SCHEDULED FOR COMMISSIONING IN 1977"

"... CONTRARY TO EXPECTATIONS ... DID NOT
BRING THE AMERICANS THE GREAT BREAKTHROUGH
INTO THE BRAZILIAN MARKET. ON THE CONTRARY,
THE BRAZILIANS WERE ANGERED BY THE
COMPREHENSIVE CONDITIONS AND CONTROLS IN
REGARD TO URANIUM SUPPLIES AND BECAME MORE
AND MORE AWARE OF THE FACT THAT THE AMERICANS
DID NOT HAVE THE LEAST INTENTION OF HELPING

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INFO AMEMBASSY BRASILIA IMMEDIATE

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THE BRAZILIANS IN DEVELOPING AN INDEPENDENT
NUCLEAR INDUSTRY"

5. FURTHER, ACCORDING TO ARTICLE, BRAZILIANS WOULD NOT RESIGN THEMSELVES TO THE FACT OF HAVING TO SPEND BILLIONS ON NUCLEAR FUELS AND REACTORS EVEN AFTER TWO MORE DECADES. SINCE THEY WANTED TO CONTINUE OPERATION WITH ENRICHED URANIUM POWER STATIONS -- IN CONTRAST TO THE BRITISH AND THE CANADIANS WITH THEIR NATURAL-URANIUM REACTOR INSTALLATIONS -- THE TECHNOLOGICALLY WELL-ADVANCED FEDERAL REPUBLIC OF GERMANY WAS THE IDEAL PARTNER.

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6. THE ARTICLE MAINTAINS THAT UNDER THE AGREEMENT WITH BONN THE BRAZILIANS HOPE FOR ASSISTANCE IN THE CONSTRUCTION OF A URANIUM-ENRICHMENT FACILITY USING THE KARLSRUHE-DEVELOPED JET-NOZZLE PROCESS AND THE NECESSARY KNOWHOW FOR REACTOR CONSTRUCTION. PAULO NOGUEIRA BATISTA, THE PRESIDENT OF NUCLEBRAS, WHICH IS RESPONSIBLE FOR CARRYING OUT OF THE BRAZILIAN NUCLEAR PROGRAM, REPORTEDLY HOPED THAT BRAZIL WILL BE ABLE WITH THE GERMAN ASSISTANCE TO BUILD 90 PERCENT OF THE NUCLEAR POWER STATIONS ITSELF.

7. FAZ EXPRESSES THE VIEW THAT IT REMAINS TO BE SEEN WHETHER THE AMERICANS WILL RESIGN THEMSELVES TO THE LOSS TO THE GERMANS OF THE INTERESTING BRAZILIAN MARKET FOR MANY YEARS. WESTINGHOUSE AND GENERAL ELECTRIC WERE ALREADY GETTING BUSY IN WASHINGTON, ACCORDING TO THE RESPECTED "ESTADO DE SAO PAULO". REPORTEDLY THESE TWO CONCERNS ARE TRYING TO SEE TO IT THAT THE BRAZILIANS SIGN THE AGREEMENT WITH BONN ONLY AFTER EXAMINING THE OFFERS OF THE NORTH AMERICAN COMPETITORS.

8. FAZ CONCLUDED WITH COMMENT THAT PLANNED BONN-BRAZILIAN COOPERATION AGAIN RAISES THE QUESTIONS WHETHER THE CONTROL PRACTICES HERETOFORE WILL ADEQUATELY GUARANTEE THAT THE BRAZILIANS WILL NOT ONE FINE DAY EXPLOIT THE GERMAN-SUPPLIED TECHNOLOGY TO BUILD AN ATOMIC BOMB. THIS DOES NOT SOLELY CONCERN THE TWO NATIONS DIRECTLY INVOLVED. ONLY RECENTLY FRED IKLE, THE US EXPERT FOR NUCLEAR ARMS CONTROL, DEMANDED NEW AND MORE RIGOROUS INTERNATIONAL SAFEGUARDS FOR THE "SECOND NUCLEAR ERA."

9. IN REPORTING ON SENATOR PASTORE'S CALL FOR A DELAY IN THE FRG-BRAZIL NUCLEAR AGREEMENT, THE BONN

"GENERAL ANZEIGER" CONTENDS THAT ACCORDING TO THE
IMPRESSION OF POLITICAL CIRCLES IN BONN, THE LOBBY
OF THE COMPETING AMERICAN INDUSTRIES (I.E., GE AND
WESTINGHOUSE), HAS ATTEMPTED TO HINDER THE AGREEMENT
AT THE LAST MINUTE THROUGH FALSE ACCUSATIONS THAT
THE AGREEMENT WILL MAKE IT POSSIBLE FOR BRAZIL TO
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BUILD AN ATOMIC BOMB. "DIE WELT" ALSO CARRIED A
STRAIGHT REPORT OF THE PASTORE STATEMENT WITHOUT
ANY OF THE ABOVE SPECULATION. THE SHORT ARTICLE
ALSO REPORTED STATEMENT OF DEPARTMENT SPOKESMAN
THAT THE US GOVERNMENT HAD PREVIOUSLY INDICATED
CONCERN IN BONN, WITHOUT INDICATING WHEN OR IN WHAT
FORM THIS OCCURRED.
HILLENBRAND

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